



Sharpening Europe's competitiveness

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Peter Voser became Chief Executive Officer on July 1, 2009. Before his appointment as CEO, Peter had been Chief Financial Officer (CFO) and an Executive Director of Royal Dutch Shell since 2004. He was CFO of the Royal Dutch/Shell Group of Companies from October 2004 to July 2005.

Peter was CFO and an Executive Committee Member of the Asea Brown Boveri (ABB) Group of Companies, based in Switzerland, from March 2002 until September 2004.

Peter joined Shell in 1982 after graduating in business administration from the University of Applied Sciences, Zürich. He went on to work in a number of finance and business roles in Switzerland, the United Kingdom, Argentina and Chile.

After moving back to London from Chile in early 1997, Peter became the Group Chief Internal Auditor. In 1999 he was appointed CFO of Shell Europe Oil Products. He became CFO of the Global Oil Products Business in early 2001 and a member of the Oil Products Executive Committee.

From 2004 until April 2006, Peter was a member of the Supervisory Board of Aegon N.V.. He served on the Board of Directors of UBS AG from April 2005 to April 2010. He was a member of the Swiss Federal Auditor Oversight Authority from 2006 until December 2010.

He is chair of the Board of Directors of Catalyst, a non-profit organisation that works to build inclusive environments and expand opportunities for women in business. In March 2011, he was appointed to the Board of Directors of Roche. In July 2011, His Majesty the Sultan of Brunei awarded him the title of Dato Seri Laila Jasa in recognition of his services to the state of Brunei.

Peter is also active in several international and bilateral organisations, including the European Round Table of Industrialists and The Business Council.

A Swiss citizen, Peter was born in 1958. He is married to Daniela and they have three children.

The recession has accelerated the shift in economic and political influence from West to East. Meanwhile, the USA's industrial base is being revitalized by low energy and input costs, thanks to the shale oil and gas revolution. In this speech, Peter Voser warns that Europe must respond to an increasingly competitive global landscape. He stresses that Europe's policymakers must do their utmost to support a vibrant and innovative business sector. And calls for the EU to produce clear and straightforward policy frameworks that incentivize innovation and investment. Peter explains that this will not only sharpen Europe's competitiveness, but also help it respond to the world's resource and environmental stresses.

I should begin by thanking the CBI for your work in so many areas.

You've reminded people of the importance of a healthy business sector, at a time of public mistrust. You've also kept energy on the policy agenda in the UK and Brussels, despite the economic crisis. Today, I'd like to reflect on why those objectives matter more than ever.

I'll briefly describe some of the major forces shaping the global energy system and business environment.

I'll then focus on how the UK and Europe should respond: policymakers must do their utmost to support a vibrant and innovative business sector. This will be critical not just to safeguarding Europe's competitiveness, but also in addressing the world's resource and environmental stresses.

Resource and environmental stresses

Shell's scenarios team recently published their latest report. For 40 years, this team of experts has produced independent analysis of the global energy system.

Their new report assesses how major social, economic and political forces might play out over the 21st century, and their impact on the energy system.

The scenarios underscore the enormity of the world's resource and environmental stresses. Surging demand will put the world's energy resources under pressure. Global demand could rise by more than three-quarters by 2050, as living standards improve in the

emerging economies and the global population increases. To keep pace, the world needs to increase production of all energy sources from fossil fuels to nuclear and renewables.

The revolution in North America's oil and gas supplies should help relieve some of the pressure. For example, the US and Canada could soon begin exporting their gas overseas, as Liquefied Natural Gas. That would help strengthen supply security here in the UK. You could import gas directly from Texas or Louisiana – unthinkable only 3 years ago.

But it's not just energy resources that will come under stress. So will our water and food systems, which are tightly connected with the energy system.

- Water is needed for almost all forms of energy production.
- Energy is needed to treat and transport water.
- And both water and energy are needed to grow food.

The potential effects of climate change will influence all three.

And global CO₂ emissions are rising. A few weeks ago, it was announced that the atmospheric concentration of CO₂ has reached 400 parts per million. Remember: 450ppm has been identified by climate scientists as the limit for avoiding the worst effects of climate change.

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European competitiveness

Shell's scenarios emphasize another powerful trend: the shift in economic and political influence from West to East. In the energy sector, the developing economies will provide almost all the increase in global demand over the next two decades, with China and India leading the way.

These countries' national oil companies are already powerful global players. For example, the China National Petroleum Corporation is developing resources all over the world, including Canada and Australia. It's also one of the biggest investors in energy innovation.

What does all this mean for the UK and Europe?

Above all, they must fight to maintain a competitive business environment - one that drives innovation and trade in all sectors.

The EU's industry commissioner published a report last year which emphasized that technology and innovation will be critical to Europe's recovery and its long-term competitiveness.

Thanks to the shale gas revolution, the US is enjoying a massive economic stimulus in the form of lower energy prices. That's luring manufacturing and chemical companies back to the US, reversing the trend of the past two decades.

But it's clear that shale gas won't provide Europe with the same cheap energy dividend in the near future.

So the EU must decide how to reinvigorate its own industrial base to ensure that it's a vital engine of technical expertise, innovation and employment.

Closer co-operation between government, business and civil society

That raises the importance of supportive government policies, and of Europe's universities producing the advanced skills in science and engineering that are industry's lifeblood.

In other words, we need more effective co-operation between industry, government, and civil society.

This is not easy in troubled economic times. The current debate on corporate tax is just one symptom of the anger felt towards sections of the business sector.

But there are encouraging developments taking place, including here in the UK. One example is the British government's competition to provide funding for a project to capture CO₂ emissions from a coal or gas power plant. Shell has entered the competition: we hope to build the first full-scale CCS project for a gas-fired power station at Peterhead in Scotland, with our partner SSE. That kind of collaboration is a small, but important move in the right direction.

But Europe can do more to nurture its innovation ecosystem.

This is partly a question of funding: with public finances under pressure, industry can play a role here. At Shell, we've invested nearly twenty million pounds in R&D in the UK's universities over the past five years alone.

There's no shortage of innovative ideas in Europe. But they can be painfully slow to reach commercial reality.

The UK offers a model for accelerating this journey. The Energy Technologies Institute brings together global companies and government to make targeted investments in projects that bridge the gap between development and large-scale deployment. Something similar is called for across the EU as a whole.

Need for policy clarity

But the most critical step will be for Europe to address the complexity of some of its policy initiatives.

Clear and supportive policies are essential to a competitive industrial sector. For example, the EU wants a thriving cleaner

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energy sector to be a powerful source of economic growth. But many of the EU's energy and climate policies were designed in more prosperous times. In today's difficult economic conditions, those policies are producing unintended results.

Europe has seen a drastic slump in the price for carbon. Lower demand for energy during the recession has produced a surplus of carbon trading allowances. That's slowing the pace of clean energy investment and innovation across Europe.

For example, the EU has recognized that gas-fired power can play an important role in a more sustainable energy system. That's because gas power stations emit only half the CO₂ of coal. They can also support the growth of renewables. Gas plants provide the most flexible back-up to solar and wind, when the sun doesn't shine or the wind blow.

But gas-fired power stations are currently at risk of closure in Europe. And utility companies have delayed plans to build new ones. The problem is that the weak CO₂ price is helping coal-fired power to enjoy a revival, and displace natural gas. So Europe is inadvertently pursuing a coal-and-renewables approach, spending a lot of money to subsidize specific renewables while using more coal that generates more CO₂.

To resolve this, the EU should set a single, stand-alone target for greenhouse gas emissions reductions for the period to 2030.

Currently, there are separate targets for renewables, greenhouse gas emissions and energy efficiency. That's contributing to the confusion we see today, especially the target for renewables to supply a set portion of Europe's energy. Having one target would sharpen the focus on the main task: reducing Europe's greenhouse gas emissions.

The most effective way to reduce emissions is to cap CO₂ emissions and trade emissions allowances. The market then channels resources towards the most cost-effective reduction measures - unlike renewable energy targets. But Europe's scheme must deliver a CO₂ price that actually incentivizes clean energy investment and innovation. That's not happening at the moment.

In April, the European Parliament voted against proposals that would have helped produce a stronger CO₂ price. Later this month, it will consider a revised set of reforms to the trading programme. A positive vote would contribute to meeting the EU's climate objectives.

It would also help sharpen European competitiveness by accelerating investment in innovation and new technology. And that is surely a prize worth striving for. *Thank you.*

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- Getting the future energy mix right: How the American shale revolution is changing the world, *Peter Voser*
- Do the research, *Matthias Bichsel*
- The high road to innovation and technology, *Matthias Bichsel*
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